

WEXPRO COMPANY

79 SOUTH STATE STREET • P. O. BOX 11070 • SALT LAKE CITY, UTAH 84147 • PHONE (801) 530-2688

G. L. NORDLOH

August 25, 1989

Division of Public Utilities
Department of Commerce
State of Utah
Heber Wells Building
160 East Third South
Salt Lake City, Utah 84111

Gentlemen:

Re: Wexpro Agreement
Guideline Letters

We appreciate your giving our counsel an opportunity to meet with you on July 6th to further explore methods to improve our relationship under the Wexpro Agreement and to freely air our respective positions. This letter will memorialize that meeting wherein you requested that we prepare a letter itemizing the outstanding guideline letters for your approval. This is the first of two letters on this subject.

As our counsel mentioned, Wexpro Company has respectfully requested two major understandings with the Division and the Monitors. We believe these are essential to continued success under the Wexpro Agreement. First and foremost is the critical element of confidentiality of Wexpro's data. Second, prior to our commencing major financial undertakings on behalf of the Wexpro Agreement we have requested that there be a clear understanding between the parties of the accounting treatment and procedural requirements under the Agreement. In essence, we wanted to know the rules of the game before we played it. Some of those understandings were reduced to the guideline letters listed below. Others were included in the accounting monitor's annual report.

Our perception is that by your execution below, you are approving the Monitor's execution thereof and that the same shall be guidelines under the Wexpro Agreement for actions taken in the past and for those actions of Wexpro in the future prior to a change or termination of the guideline letter.

What we propose is that the guidelines will be in effect and binding upon the parties who sign this letter until such time as they are either modified or terminated. This means that if the Department of Public Utilities, the Wyoming Staff, the Monitors or Wexpro finds that the guideline is not operating to its satisfaction, it can propose or terminate that particular guideline as to future operations only. However, the guideline would still be in effect for all actions taken prior to the modification or termination.

The guidelines we propose to be covered by this letter and your approval are on Wexpro letterhead and dated as follows:

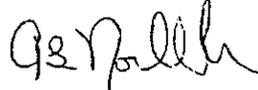
1. September 7, 1984, "Well Completions in the Hiawatha and Powder Wash Oil and Gas Fields."
2. July 16, 1984, "East Hiawatha Enhanced Recovery Project."
3. December 14, 1983, "The Delivery Point at the Butcher Knife and Church Buttes Fields, Sweetwater County, Wyoming."
4. February 27, 1986, "Accounting for Production Taxes."
5. October 16, 1987, "Nonstatus Well Guidance Letter dated May 7, 1986."
6. July 19, 1983, "Expanding Participating Areas Inside of Federal Units" as amended by the October 27, 1988 clarification letter from R. J. Gill, Jr. to Messrs. Lake and Myers of Price Waterhouse. The original monitor approval was dated June 15, 1983 on Ball Associates letterhead.
7. September 7, 1984, "Tentative Plan to Fracture Stimulate The Mesa Unit Well No. 2, Sublette County, Wyoming."
8. July 11, 1989, "Wexpro Agreement - Federal Royalty Assessment of Brady Liquids -- Adjustment to Manufacturing Allowance."

Again, we appreciate your spirit of cooperation and accommodation. We think that the Wexpro Agreement has been a benefit to the customers of Mountain Fuel and will continue to do so.

Division of Public Utilities - State of Utah
August 25, 1989
Page 3

Please let us hear back from you at your earliest convenience.

Very truly yours,



G. L. Nordloh
Executive Vice President

APPROVED:

Price Waterhouse by Daniel W. Condey
Price Waterhouse (date)
August 28, 1989

APPROVED:

Frank J. Johnson *Oct 24, '89*
Division of Public Utilities (date)

APPROVED:

Stephen G. Olson *11-7-89*
Staff of the Wyoming Public (date)
Service Commission

pf

cc: R. J. Gill, Jr.
M. A. Howerton
J. W. King
Gary Myers, Price Waterhouse